

**Minutes of the
Audit Committee**
2020



Minutes

Audit Committee Meeting

Wednesday 4 March 2020, 10.00am

Audit Scotland offices, 102 West Port, Edinburgh

Present:

H Logan (Chair)
A Alexander

In attendance:

C Robertson, BDO
S Cunningham, Alexander Sloan
J So, Alexander Sloan
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
M Walker, Associate Director, Corporate Performance and Risk
D McGurk, Service Delivery Manager
C Gardner, Auditor General for Scotland and Accountable Officer
I Leitch, Chair of the Audit Scotland Board
D McGiffen, Chief Operating Officer
D Blattman, Human Resources and Organisational Development Manager
S Burgess, Assistant Human Resources Manager
T Bray, Senior Business Partner, Organisational Development
G Smail, Audit Director

Apologies:

G Sharp
S Ebbett, Communications Manager

1. Private meeting

A private meeting was held with Audit Committee members and internal auditors (BDO).

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone and reported that there were no issues arising from the private meeting.

Graham Sharp, Chair of the Accounts Commission had previously submitted his apologies for the meeting and had met with the Chair to share his thoughts prior to the meeting. The meeting was quorate according to the Terms of Reference.

There were no other apologies.

3. Declarations of interest

There were no declarations of interest.

4. Minutes of meeting 13 November 2020

The Audit Committee members reviewed the minutes of the meeting of 13 November 2020, which had previously been circulated.

The Chair invited feedback on the minutes of the previous meeting.

There was a discussion about the Code of Audit Practice and whether this was on track. Alan Alexander advised that the new code was currently out for consultation and that the result would be brought to the Audit Committee meeting scheduled for 6 May.

The Audit Committee members approved the minutes of the meeting.

5. Review of actions tracker

The Audit Committee members reviewed the action tracker, which had previously been circulated.

The Chair queried the wording of the description of 96AC and asked that all items be included with the same wording as in the relevant minutes. In respect of the comments section for this item Diane McGiffen, Chief Operating Officer indicated this would be revised to reflect the original discussion and correspondence with the Chair.

The Chair enquired about the progress on the self-assessment questionnaire for Audit Committee members. Gayle Fitzpatrick, Corporate Governance Manager advised that the revised questionnaire would be circulated on 27 March 2020 as scheduled.

The Audit Committee members noted the progress on the actions in the tracker.

Action 97AC: Wording of action 96AC to be revised in the action tracker by the next Audit Committee on 6 May 2020.

6. Audit Committee terms of reference (TOR)

The Chair invited comments from members on the report, submitted by the Corporate Governance Manager, which had been previously circulated.

The Audit Committee reported they were content with the current version of the Terms of Reference.

7. Internal audit reports

David Blattman, Human Resources and Organisation (HR & OD) Development Manager, Susan Burgess, Assistant Human Resources Manager, Tracey Bray, Senior Business Partner (Organisational Development) and Gordon Smail, Audit Director joined the meeting.

Clare Robertson, BDO submitted the internal audit reports on Staff Recruitment and Selection, Learning and Development and Communication and Engagement, copies of which had been previously circulated.

Staff recruitment and Selection

Claire summarised the report advising that reasonable assurance was provided on design and operational effectiveness, and that she would be happy to take questions.

The Chair had previously circulated questions to David Blattman, HR & OD Manger, which David addressed at the meeting.

The Chair asked about the cost and rationale for advertising in various online forums and print media. David advised that an extensive range of advertising was undertaken to widen the coverage of potential candidates, including those potentially not actively looking for a new post.

Alan Alexander asked how Audit Scotland benchmarks the cost of recruitment. David advised that recruitment costs are benchmarked against the Chartered Institute for Professional Development (CIPD) data, while noting the data is not directly comparable due to differences in roles and structures.

Alan also asked whether the current approach to recruitment and selection was appointing the right people. David assured the Audit Committee that this was an area where the organisation was successful and outlined the three and six months follow up meetings with new starts to seek their views. He also advised that low turnover rates indicate good levels of retention.

The Chair asked how variations in the processes around interview question forms and wash up sessions were determined and how procedures on this had been tightened following the audit. David advised that any variation in the processes is agreed in consultation between the business group, the HR & OD Manager and the Assistant HR Manager. The procedure now states that forms must be returned within 14 days of the wash-up meeting and, if they are not, this will be escalated by means of a senior member of the HR & OD staff speaking with Audit Directors or Management Team members, as appropriate.

The Chair asked about the number of staff trained in recruitment, the regularity of their use, and the frequency of refresher training. David advised that 71 colleagues have been trained and that recruitment within some business groups is routine meaning that many colleagues are regularly involved in recruitment. He also advised there is no evidence to highlight the need for more frequent refresher training.

The Chair asked about the intensity and efficiency of the induction process and the effectiveness of the absorption of the training. David advised that induction involves a broad range of activity including a suite of online modules covering data protection, workstation assessment, and diversity alongside on the job and professional training. He confirmed HR & OD have tightened up the monitoring of the completion and recording of induction training, including escalation where required.

The Chair asked what the HR & OD team wanted to get from the new Cascade HR system. David advised that the team were ambitious for their intended use of Cascade, including the automation of some tasks which are currently labour intensive. The HR & OD team are considering where additional modules of the system may be deployed.

Ian Leitch enquired whether the organisation used psychometric testing as part of the recruitment and selection process. David advised that generally this is not the case for junior positions, but it can be used for more senior positions and that a menu of assessment tools is available to inform the selection process.

The Audit Committee noted the internal audit report.

Learning and Development

Claire summarised the report indicating that reasonable assurance was provided on design and operational effectiveness and advised she would be happy to take questions.

The Chair asked whether Continuing professional development (CPD) was evidenced or noted. David advised CPD will be evidenced via the Cascade system.

The Chair asked Gordon Smail, Audit Director, how CPD issues arise in the discussions at the Audit Quality Committee. Gordon advised that there had been good discussions about the need to protect time for CPD, and that this formed part of the wider discussions about resourcing.

Alan asked whether the use of the term mandatory is used consistently and understood across the organisation. Gordon advised that there are different levels of mandatory training across teams based on the needs of particular audits.

The Chair asked how the organisation ensures and assesses absorption of technical training and the reason for not testing individuals. Gordon assured the Audit Committee that the organisation monitors this closely through the audit quality regime and reports to the Audit Quality Committee. He advised that there is a close correlation between the training that is offered, the needs of an audit and reflecting any areas of concern identified through hot and cold reviews. Gordon also advised that the intention is to get a better balance between hot and cold reviews, where hot reviews provide more real time feedback on the quality of the audit work and the effectiveness of the training.

The Chair asked whether Cascade was tested prior to its selection to ensure that it would improve the efficiency of the administrative processing around learning and development. David advised that the

main focus of the system implementation to date had been on core HR functions and that the team were considering how the learning management module might improve efficiency and the user experience.

The Chair asked whether testing on the completion of training would provide assurance on the effectiveness of the training. David advised that while some firms do include testing, the view in the HR&OD profession is that this only tests the acquisition of knowledge in the short term and cannot guarantee the application of that knowledge in a practical setting. He also advised that feedback is collected at the time of training being delivered and this is positive.

The Audit Committee noted the internal audit report.

David Blattman, Human Resources and Organisation (HR & OD) Development Manager, Susan Burgess, Assistant Human Resources Manager, Tracey Bray, Senior Business Partner (Organisational Development) and Gordon Smal, Audit Director, left the meeting.

Communication and Engagement Strategy

Claire Robertson summarised the report advising that substantial assurance had been provided on both design and operational effectiveness, that a number of areas of good practice had been identified.

Alan Alexander asked how BDO considered what an appropriate implementation period might be for recommendations. Claire advised that BDO consider each management response in relation to the exposure of risk rather than focus on the timescales and that it is for management, who have the fuller breadth and depth of information at their disposal, to determine an appropriate implementation period.

The Chair had previously submitted questions on the report to Simon Ebbett, Communications Manager prior to the Audit Committee meeting. Simon had provided a management response in relation to the recommendation for a workshop around scenarios to be held with audit staff advising that this would be covered through ongoing engagement in existing forums rather than a stand-alone event.

Heather advised that Graham Sharp had asked whether there was enough resilience within the team given the work pressures and whether there was duplication in reporting. Diane McGiffen assured the Audit Committee that while reports might cover some similar areas, they were tailored to the audience needs. Diane also advised that while the Communications Team used different working patterns it is at full establishment. The Audit Committee noted the internal audit report.

8. Internal audit progress report 2019/20

Claire Robertson, BDO, submitted the Internal audit progress report, copies of which had been previously circulated.

Claire advised that good progress had been made with the recommendations BDO had previously made and she was content with the additional information provided on those recommendations partially complete.

The Chair asked for an update on the Time Recording System (TRS). Martin Walker outlined the current position and indicated that the go live date for Audit Services Group (ASG) has been rescheduled from April 2020 to October 2020. Martin explained the rationale for the rescheduling was due to a number of factors, including some system performance issues arising from additional security measures on the underlying platform which was impacting on the user experience. He also advised that the October go live date was to coincide with the start of the next audit year and would avoid the introduction of a new system when the financial audit work was at its peak.

The Chair asked for reassurance that the TRS would be delivered to the new deadline. Caroline Gardner, Auditor General for Scotland and Accountable Officer advised that most projects were delivered to schedule and Diane McGiffen advised that all time is recorded at present albeit in two systems and that the delay did not have a significant impact.

Alan Alexander asked the whether there had been optimism bias within the project timescales. Martin advised that this was not the case and explained that a number of challenges had arisen over the course of the project, including licensing costs and changes to the security requirements which had required the prioritisation of other digital projects over this one.

The Chair queried whether further security issues were anticipated between now and October that could impact on the project being delivered. Martin advised that the organisation is in a stronger position in terms of system capacity and performance to overcome any potential challenges. He also noted, that digital and cyber security is an ever changing and challenging area, and in this context, security would be prioritised over improvement projects where necessary.

The Audit Committee noted the internal audit progress report to the period 2019/20 to date.

9. Internal audit recommendations progress report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal audit recommendations progress report, copies of which had been previously circulated.

The Chair asked Gayle if there was anything further to note given the discussion covered in Item 8 also reflected this report.

Gayle advised she had nothing further to add.

The Audit Committee noted the progress of the audit recommendations.

10. Co-operation between internal and external auditors

Claire Robertson, BDO, submitted the Co-operation between internal and external auditors, copies of which had been previously circulated.

The Chair asked for more detail on joint working between BDO and Alexander Sloan in relation to the provision of joint technical updates for Audit Committees and induction and training for new Board and Committee members. Claire advised these matters had been discussed at the last two liaison meetings, including the potential for joint events between the internal and external auditors in respect of technical updates and processes. She advised a further update on progress will be provided at the next Audit Committee to be held on 6 May 2020.

The Audit Committee noted the Co-operation between internal and external auditors.

Action 98AC: Claire Robertson and Stephen Cunningham to provide an update on the support they will jointly provide to assist in the smooth transitions occurring in the Board and Audit Committee at the next Audit Committee on 6 May 2020.

11. Internal audit plan 2020/21 progress update

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal audit plan 2020/21 progress update report, copies of which had been previously circulated.

The Chair invited questions on the report, of which there were none.

The Audit Committee welcomed the report and noted that the Internal Audit Plan for 2020/21 will be presented at the next meeting on 6 May 2020.

12. 2019-20 Year-end statutory accounts timetable

Stuart Dennis, Corporate Finance Manager joined the meeting.

Stuart Dennis introduced the 2019-20 Year-end statutory accounts timetable, copies of which had been previously circulated.

The Chair invited questions on the report, of which there were none.

It was noted that the Audit Committee are content with the timetable.

The Audit Committee noted the report.

13. 2019/20 Accounting policies, key accounting estimates and judgements

Stuart Dennis, Corporate Finance manager, introduced the 2019/20 Accounting policies, key accounting estimates and judgements report, copies of which had been previously circulated.

The Chair thanked Stuart for the update and invited questions, of which there were none.

The Audit Committee noted the report.

14. External auditors plan 2019/20

Stephen Cunningham, Alexander Sloan introduced the External auditors plan 2019/20, copies of which had been previously circulated.

The Audit Committee noted the report.

15. Q3 Financial performance report

Stuart Dennis, Corporate Finance Manager, introduced the quarter three financial performance report, copies of which had been previously circulated.

The Chair invited questions and comments.

Discussion focused on the underspend at the end of quarter three and the forecast for the final quarter. Stuart highlighted that there were some risks including the provisions for pensions and holiday pay and the need for some contingency for unplanned expenditure.

Stuart provided assurance to the Audit Committee on the monitoring that takes place and provided examples of how this is done. Caroline Gardner highlighted that the budget is very tight this year and as Accountable Officer she must ensure the organisation breaks even and advised of her gratitude for the meticulous work that is going on to achieve this.

Diane McGiffen advised the Audit Committee that the organisation's income is based on work completed and so the risks around any impact arising from the Covid-19 virus were being monitored carefully.

The Audit Committee noted the Q3 Financial report.

16. Review of risk register

Martin Walker, Associate Director, Corporate Performance and Risk introduced the review of Risk register report, copies of which had been previously circulated.

Martin also tabled an addendum in relation to the potential impact of Covid-19 which highlighted the risks around the potential impact of the virus on Audit Scotland's capacity to deliver the audit and on the capacity of bodies to be audited. In addition, Audit Committee were invited to note the increased level of risk around the potential cost implications of the tender for the next round of audit appointments based on the new Code of Audit Practice.

The Chair invited questions and comments.

The Chair enquired whether the failure to deliver year end accounts should be included as part of the risk register. Martin advised that while the theoretical risk exists; this is very unlikely to materialise based on the controls in place and Audit Scotland's track record in this area.

The Audit Committee noted the review of the risk register.

17. Risk interrogation: Independence

Martin Walker, Associate Director, Corporate Performance and Risk introduced the Risk interrogation: Independence, copies of which had been previously circulated.

The Chair invited questions and comments.

Alan Alexander asked whether the Risk interrogation should be called, 'Independence of audit' for clarity and whether this, and other risk interrogations should be in the public domain. The Chair noted that Graham Sharp had made a similar observation, which she shared, that the term 'independence' was being more closely associated now with political leanings and that the term 'objective' might be more usefully deployed. Diane McGiffen advised that there is a publication framework in place and that the publication of internal reports could be discussed at a future meeting of the Board.

Ian Leitch noted that the report provided positive assurance.

The Chair asked about the implications specific to independence and the Audit Scotland model within the Bryden report. Martin advised that a report would be coming to the Audit Committee in May and Board in June.

The Audit Committee noted the report.

Action 99AC: Board to consider the framework for information in the public domain at the next Board on 24 March 2020.

18. Digital security update

David McGurk, Digital Service Delivery Manager joined the meeting.

David McGurk introduced the Digital security update report, copies of which had been previously circulated.

The Chair invited questions and comments.

The Chair asked about the security issues around the Cascade HR system. David advised that the system was secure and that multi factor authentication was being progressed for additional flexibility while maintaining security.

Alan Alexander welcomed the accessibility of the report noting it was covering technical issues in a less technical way which was useful for the reader. He asked about the extent to which continuous action was required to maintain digital security. David agreed this was the case and advised that the digital environment and digital security threats are changing rapidly.

Caroline Gardner, Auditor General for Scotland and Accountable Officer noted that a Scottish college had recently been hacked and the impact this had caused. Caroline also noted the pressure of the increasing number and complexity of digital threats that exist and thanked the digital team for their vigilance and hard work.

The Audit Committee members noted the contents of the report.

David McGurk left the meeting.

19. Data incidents/loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Data incidents/loss report, a copy of which had been previously circulated.

The Chair invited questions, of which there were none.

The Audit Committee noted data incidents/loss report.

20. Annual Assurance and statement of control process 2020

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Annual Assurance and statement of control process 2020 report, a copy of which had been previously circulated.

The Chair invited questions.

The Chair asked if the process was on track and going to plan. Gayle advised that it was in progress with no issues so far.

The Audit Committee noted the Annual Assurance and statement of control process 2020.

21. Business continuity arrangements annual review 2020

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Business continuity arrangements annual review 2020 report, a copy of which had been previously circulated.

Gayle highlighted the main changes in the business continuity arrangements, and noted the substantial contribution of Ian Metcalfe, Corporate Performance Officer.

The Chair invited questions. Discussion focused on the broader focus and improved format. Alan Alexander noted the arrangements were comprehensive and Covid-19 would likely test the arrangements.

The Audit Committee approved the arrangements and noted that it would be subject to minor amendments as necessary.

22. Any other business

There was no other business.

23. Review of meeting

The Chair invited those present to comment on the standard of the papers submitted to them and on the meeting itself.

The Audit Committee member expressed satisfaction with the papers and the focus and pace of the meeting.

24. Date of next meeting: 6 May 2020

The next meeting will be held at 10.00am on 6 May 2020, 102 West Port, Edinburgh.

Minutes

Audit Committee

Wednesday 6 May 2020
By Microsoft Teams

Present:

H Logan (Chair)
G Sharp

Apologies:

None

In attendance:

A Alexander
C Gardner, Accountable Officer
D McGiffen, Chief Operating Officer
S Boyle, Audit Director
C Robertson, BDO
T Barrie, BDO
J So, Alexander Sloan
S Cunningham, Alexander Sloan
M Walker, Associate Director, Corporate Performance and Risk
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
I Metcalfe, Corporate Performance Officer
E Boyd, Associate Director, Audit Quality and Appointments
O Smith, Senior Manager, Audit Quality and Appointments
J Gilchrist, Manager, Audit Quality and Appointments
F Kordiak, Director of Audit Services
Fraser McKinlay, Controller of Audit & Director of Performance Audit and Best Value
G Smail, Audit Director, Performance Audit and Best Value
E Barrowman, Senior Manager, Audit Services
C Young, Correspondence Manager, Performance Audit and Best Value
E McGinley, Correspondence Officer, Performance Audit and Best Value

1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors (BDO).

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone and advised there were no issues arising from the private meeting.

The Chair advised that there were no apologies and confirmed that the meeting was quorate in accordance with the Terms of Reference.

The Chair invited Diane McGiffen, Chief Operating Officer to provide an update on Audit Scotland's response to the Covid-19 pandemic and the impact on the business and staff.

Diane advised that the Incident Management Team (IMT) had met on 22 occasions to date, that the business continuity plan had been initiated on 16 March 2020, that all staff had been working at home since 17 March and that this was working well so far. All IMT meetings are followed up with an all staff e-mail.

Diane provided an overview of the complex and challenging operating context covering areas outlined in the business continuity plan; principally people, finances and audit.

People

Diane advised that the circumstances impacted on every colleague in different ways and that IMT advice was based on the best advice available from the UK and Scottish Governments and the NHS. The key message has been that health, safety and wellbeing are the first priority. She also advised that seven colleagues had reported Covid-19 symptoms, with one confirmed case and that sickness absence levels were lower than normal.

Diane advised that the graduate recruitment campaign had progressed and that temporary contracts had been extended, but that the summer placements have been cancelled as we would be unable to offer a meaningful experience for those on the scheme.

Finance

Diane advised that the Finance Team had adapted working practices and that financial services were being maintained including, payroll, payments to suppliers and the comptroller function.

She also advised that the team had progressed the end of year process well and that cash flow was being monitored carefully.

Audit

Diane advised that Caroline Gardner had attended the Public Audit and Post Legislative Scrutiny Committee (PAPLS) on 19 March 2020 to advise how Audit Scotland will take a flexible, pragmatic and consistent approach to the audit work.

Diane also advised that the Financial Report Council (FRC) had been looking at the accounting deadlines, as had FRAB, and that Audit Scotland had been engaging with the appropriate bodies on this.

She advised that the Audit Services Group estimated a reduction in colleague productivity and work was under way to consider the scope of the audit work and timescales, but that the requirements around audit quality remain unchanged.

Diane also advised that the rolling work programme was being reviewed in terms of relevance and capacity and that further updates would be provided to the Auditor General for Scotland, PAPLS and the Accounts Commission.

The Chair welcomed the comprehensive update and sought clarification on what expectation PAPLS may have. Caroline Gardiner, Auditor General for Scotland, advised that this would become clearer over time as PAPLS and the other parliamentary committees developed their respective roles and responsibilities on the issue.

The Chair welcomed the comprehensive update and invited questions and comments from members.

Graham Sharp and Alan Alexander welcomed the summary and Alan praised the tone and content of the communications from the IMT.

The Chair asked if potential scenario planning was being considered. Diane McGiffen confirmed that scenario planning had taken place and that further discussion on the medium-term financial planning would take place at the Board.

Caroline advised that the organisation had responded well to the situation and praised colleagues for their remarkable commitment and flexibility in exceptional circumstances.

The Chair thanked Diane for the update.

3. **Declarations of interests**

There were no declarations of interest.

4. **Minutes of the last meeting: 4 March 2020**

The Audit Committee members reviewed the minutes of the meeting of 4 March 2020, which had previously been circulated.

The Chair invited feedback on the minutes of the previous meeting.

Graham Sharp, noted his absence from the last meeting, and advised that he had no questions or comments.

The Audit Committee members approved the minutes of the meeting.

5. **Review of action tracker**

The Audit Committee members reviewed the action tracker, which had previously been circulated.

The Chair invited an update on joint working between BDO and Alexander Sloan in how they could support the induction process for new Board members (Action 98AC). Claire Robertson, BDO advised that they could offer induction sessions and provide networking opportunities online for new members.

It was agreed that Martin Walker, Associate Director, Corporate Performance and Risk and the auditors consider how best this might be integrated in the induction programme.

The Chair requested that the publication of documents (Action 99AC) be closed as this was now being considered at Board level.

The Audit Committee members noted the progress on the actions in the tracker.

Action AC100: BDO and Alexander Sloan to engage with Martin Walker on the induction programme for new members (June 2020).

6. **Audit Committee terms of reference**

The Chair invited comments from members on the report, submitted by the Corporate Governance Manager, which had been previously circulated.

The Audit Committee members reported they were content with the current version of the Terms of Reference.

7. **Internal audit annual report 2019/20**

Claire Robertson, BDO submitted the internal audit report 2019/20, copies of which had been previously circulated.

Claire advised that the report highlighted positive assurance was found for all areas reviewed and that she was happy to take questions.

The Chair asked why the number of recommendations in the BDO report differed from the internal report on progress with recommendations update report at item eight on the agenda. Claire explained that the variation was due to the timing of the reports being written and the inclusion of some actions which were not due for completion.

The Chair invited questions and comments from members, of which there were none.

The Audit Committee noted the internal audit report, 2019/20.

8. Internal audit recommendations progress report

Ian Metcalfe, Corporate Performance Officer, joined the meeting.

Ian submitted the Internal audit recommendation progress report, copies of which had been previously circulated.

The Chair asked about the progress with the communications media guidance action and whether target completion dates had been revised given the current working context. Martin Walker, Associate Director, Corporate Performance and Risk advised that the Communications team are working to the original timescales where possible and would advise the Audit Committee if this changes.

The Chair invited questions and comments from members, of which there were none.

The Audit Committee noted the internal audit recommendation progress report.

Ian Metcalfe, Corporate Performance Officer, left the meeting.

9. Annual internal audit plan 2020/21

Claire Robertson, BDO and Tony Barrie, BDO introduced the Annual internal audit plan 2020/21, copies of which had been previously circulated.

Claire advised the proposed areas for audit were identified following consultation with Audit Scotland and a review of the risk register. She added that discussion regarding the implementation of the plan in the current circumstances was ongoing, and that this would be kept under review. Claire advised she was happy to take questions on the plan.

Graham Sharp advised that the plan was sufficient in its coverage given the current uncertainties Audit Scotland faced.

Alan Alexander noted that the plan needed to reflect the impact of Covid-19 on the transition arrangements for the AGS and delayed Board appointments and the impact on the likely postponement of the procurement process for next round of audit appointments. Claire accepted both points and agreed to reflect this within the revised plan. Alan requested that any amendments to the plan should be highlighted to Audit Committee. Claire provided assurance this would be the case.

The Chair asked whether BDO should be looking at Audit Scotland's response to Covid-19. Claire agreed this would be considered as part of the audit on business continuity and would be made more explicit in the audit summary.

Discussion turned to the phasing and length of audits. Diane McGiffen, Chief Operating Officer suggested that BDO discuss the changes with Martin Walker, Associate Director, Corporate Performance and Risk and Gayle Fitzpatrick, Corporate Governance Manager and this was agreed by all members.

The Chair requested that BDO provide a summary paragraph outlining briefly the scope of the referenced planned audits to Audit Committee.

The Audit Committee noted the Internal Audit Plan, 2020/21.

Action AC101: BDO to have a discussion with Martin Walker and Gayle Fitzpatrick about the focus phasing and length of the proposed audits. (May 2020)

Action AC102: BDO to provide revised summary paragraphs on referenced planned audits to Audit Committee. (May 2020)

10. Code of audit practice consultation

Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA), Owen Smith, Senior Manager (AQA) and John Gilchrist, Manager (AQA) joined the meeting.

Elaine Boyd, Associate Director, Audit Quality and Appointments, provided an update on the impact of Covid-19 on the Code of Audit Practice consultation process. She advised that the exceptional set of circumstances had impacted on the consultation process and that the response rate had been lower than anticipated to date. She also advised that a one-year extension to the audit appointments, which

is provided for in the appointment letters was being considered by the Auditor General and the Accounts Commission.

The Chair asked whether audit firms were being consulted on the extension. Elaine advised they were.

Discussion turned to the risks in extending audit appointments and potential resignations of the audit appointments during the extension period and the potential impact on cost.

The discussion also reflected the exceptional circumstances Audit Scotland is operating within and the potential risks around its capacity to undertake audit work. It was agreed that it would be difficult to predict some of the issues which might arise, but this would continue to be closely monitored, reported on and plans would be regularly reviewed to ensure the effective mitigation of risk.

The Audit Committee noted the update on the Code of Audit Practice consultation and audit appointments process.

11. Quality of public audit in Scotland annual report 2019/20

Elaine Boyd, Associate Director, Audit Quality and Appointments submitted the Quality of public audit in Scotland annual report 2019/20, copies of which had been previously circulated.

Elaine advised that the report provided positive assurance around on the quality of audit work.

She advised that external, independent and internal reviews revealed that audit work is improving and that this was particularly evident for Public Audit and Best Value (PABV). The report also highlighted that sampling, resourcing and transparency were areas for improvement.

The Chair thanked Elaine for the positive and comprehensive report in which there were clear measures of success. The Chair then invited questions and comments from members.

Graham Sharp advised the report would be considered by the Accounts Commission on 21 May 2020. He noted the improvement in audit scores, echoed Elaine's observations on the improvements made within PABV and concluded that the positive report reflected the strong position of public audit in Scotland.

Alan Alexander advised he thought the report was impressive and required only minor edits to the Outputs section which he detailed. Elaine welcomed Alan's feedback and will amend the report.

The Chair asked what learning could be taken from the report, and Elaine noted the importance of timeous structured feedback to auditors to support the development of constructive improvement plans.

Elaine advised that the report would be considered by the Board at its meeting on 1 June 2020.

The Audit Committee noted the Quality of public audit in Scotland annual report 2019/20.

Action AC103: Elaine Boyd to edit the Outputs section of the Quality in public audit in Scotland, 2019/20 report. (May 2020)

12. Draft Audit Scotland transparency report 2019

Fraser McKinlay, Controller of Public Audit and Director of Public Audit and Best Value, Fiona Kordiak, Director of Audit Services, Gordon Smail, Audit Director and Elaine Barrowman, Senior Manager, Audit Services joined the meeting.

Gordon Smail, Audit Director, submitted the Draft Audit Scotland transparency report 2019, copies of which had been previously circulated. Gordon summarised the findings of the report by stating that it provided positive assurance, but that Audit Scotland was not complacent.

The Chair invited comments and questions from members.

Graham Sharp noted the report was positive and helpful.

Alan Alexander noted the high quality of the report noting that its clarity and candour was helpful in explaining what was going well and where improvements are required. He then asked whether the reports would be published in June 2020. Gordon advised this would be the case, although some of the exhibits may require amendment before the publication at that stage.

The Chair noted that the request being made of the Audit Committee was to comment on the format and content of the report. In that context she remarked that she thought that the continuous improvement of outcomes seen in the reports over the last six years was impressive but wondered whether at forty two pages long, more might be done to include digital links for the readers who were more inclined to read the detail and to explain up front as to why Audit Scotland produce this report. Gordon advised that an additional paragraph would be added to cover this.

Alan Alexander suggested that an executive summary may be beneficial in future years and the Chair reflected on the interpretations of the terms 'independence' and 'objectivity', which may also be considered in future reports.

The Audit Committee noted the Draft Audit Scotland transparency report 2019.

Action AC104: Gordon Smail to add in an additional paragraph stating why Audit Scotland publish the annual Transparency report. (May 2020)

13. Audit quality improvement actions

Gordon Smail, Audit Director, submitted the Audit quality improvement actions report, copies of which had been previously circulated.

Fiona Kordiak, Director of Audit Services, advised that quality monitoring activity helps provide assurance on, and the improvement to the audit work. She also advised that progress on the action plan is monitored closely by the Audit Quality Committee and through various mechanisms within business groups.

The Chair invited questions and comments from members.

Graham advised he had no questions or comments.

Alan Alexander advised he had no comments on the report, which he deemed to be excellent and clear.

The Chair agreed with the comments of members and asked to discuss why the staff survey had highlighted that 27% of respondents felt they didn't have enough time to do a quality job. Fiona advised that the findings were also reflected in the Best Companies survey results. She advised that this reflected the conscientiousness of staff motivated to deliver high quality audit work. Staff wellbeing and audit quality remained key priorities and that a broad range of work on resourcing was under way.

The Chair asked whether agency staff completed the survey. Fiona advised they did not.

A discussion took place about the benefits and drawbacks of hiring temporary and agency staff. The Chair asked what steps were being undertaken to reconcile capacity and quality issues.

Fiona advised that a number of initiatives aimed at addressing these issues are under way, though some of these are currently impacted by the response to the Covid-19 pandemic.

The Audit Committee noted the Audit quality improvement actions report.

Elaine Boyd, Associate Director, Audit Quality and Appointments (AQA), Owen Smith, Senior Manager (AQA) and John Gilchrist, Manager (AQA), Fraser McKinlay, Controller of Public Audit and Director of Public Audit and Best Value, Fiona Kordiak, Director of Audit Services, Gordon Smail, Audit Director and Elaine Barrowman, Senior Manager, Audit Services left the meeting.

14. Q4 financial performance

Stuart Dennis, Corporate Finance Manager, submitted the Q4 Financial performance report, copies of which had previously been circulated.

Stuart explained the financial position as at quarter four and invited questions.

Graham Sharp and Alan Alexander indicated they had no questions or comments.

The Chair requested additional information explaining the various scenarios that result in pensions movements over time. Stuart advised he would do this.

The Audit Committee noted the Q4 financial performance report.

Action AC105: Stuart Dennis to share additional information to explain pension movements over time.

15. Review of the risk management framework

Martin Walker, Associate Director, Corporate Performance and Risk, submitted the Review of Risk management framework, copies of which had been previously circulated.

The Chair invited question and comments from members.

Graham Sharp noted that the framework was comprehensive.

Alan Alexander had no questions or comments on the framework.

The Chair asked how the framework was operating in the current situation. Martin advised that the framework was fit for purpose and that if any changes were to be required they would be presented to Audit Committee.

The Audit Committee approved the Risk management framework.

16. Review of the risk register

Martin Walker, submitted the Review of Risk the Risk register, copies of which had been previously circulated.

The Chair invited questions and comments from members.

Graham and Alan indicated that they had no questions, noting that the risk register requires more regular updating in the current circumstances.

The Audit Committee noted the Review of the Risk register.

17. Suite of annual assurance reports

Catherine Young, Correspondence Manager and Erin McGinley, Correspondence Officer joined the meeting.

Gayle Fitzpatrick, Corporate Governance Manager, submitted the Suite of Annual assurance report, copies of which had been previously circulated. Gayle introduced reports (a) to (f) and Catherine Young introduced report (g).

- a) Review of Performance management arrangements
- b) Annual report on Information governance and security
- c) Annual report on Data incidents/loss
- d) Annual report on the register of hospitality and gifts

- e) Annual report on bribery and fraud
- f) Annual report on internal whistleblowing
- g) Annual report on correspondence and whistleblowing

The Chair thanked Gayle, Catherine and Erin for the suite of reports and invited questions and comments from members, of which there were none.

The Chair indicated that the report on information governance and security provided excellent assurance on this area.

Caroline Gardner thanked everyone for the suite of assurance reports and highlighted the excellent presentation of the report on correspondence and whistleblowing.

The Audit Committee noted the suite of annual assurance reports.

Catherine Young, Correspondence Manager and Erin McGinley, Correspondence Officer left the Meeting.

18. Review of audit committee effectiveness

Gayle Fitzpatrick, Corporate Governance Manager submitted the Review of Audit Committee effectiveness, copies of which had been previously circulated.

The Chair invited questions and comments from members, of which there were none.

The Audit Committee noted the Review of Audit Committee effectiveness.

19. Any other business

There was no other business.

20. Review of meeting

The Chair invited those present to comment on the standard of the papers submitted to them and on the meeting itself.

The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.

21. Date of next meeting

- 1 June 2020 via videoconference

Minutes

Audit Committee



Wednesday 1 June 2020
By Microsoft Teams

Present:

H Logan (Chair)
G Sharp

Apologies:

None

In attendance:

A Alexander
S Boyle, Designate Accountable Officer and Auditor General for Scotland
E Murray, Designate Interim Chair, Accounts Commission
C Gardner, Accountable Officer
D McGiffen, Chief Operating Officer
C Robertson, BDO
J So, Alexander Sloan
S Cunningham, Alexander Sloan
M Walker, Associate Director, Corporate Performance and Risk
J Gilchrist, Manager, Audit Quality and Appointments
D Blattman, Human Resources & Organisational Development (HR&OD) Manager
C Anderson, Learning and Development Consultant, (HR&OD)
R Young, Business Manager, Performance Audit and Best Value
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
S Ebbett, Communications Manager

1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors (BDO). It was noted that a discussion on the draft accounts would take place at item 13.

2. Welcome and apologies

The Chair opened the meeting and welcomed everyone.

The Chair advised the only issue arising from the private meeting was the draft condition of the accounts. Audit Scotland is still awaiting confirmation of pensions liability. It was agreed that this would be addressed at item 13.

The Chair declared the meeting quorate, and welcomed the attendance and contributions of Elma Murray, Designate Interim Chair of the Accounts Commission Chair and Stephen Boyle, Designate Accountable Officer and Auditor General for Scotland who were both attending as observers.

The Chair asked Diane McGiffen, Chief Operating Officer if there were any current Covid-19 pandemic issues which affected the Audit Committee's responsibilities other than as indicated in the papers that were tabled on the meeting agenda. Diane advised there were none.

Diane advised the Audit Committee that a paper was being presented to Board later that morning on the financial position going forward.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 6 May 2020

The Audit Committee members reviewed the minutes of the meeting of 6 May 2020, which had previously been circulated.

The Chair asked whether there were any questions, of which there were none.

The Audit Committee approved the minutes of the last meeting.

5. Review of action tracker

The Audit Committee members reviewed the action tracker, which had previously been circulated.

The Chair asked when the Audit Committee could expect the information on internal audit (actions AC101 and AC102). Martin Walker, Associate Director, Corporate Performance and Risk advised these would be issued out later that day.

The Chair asked that action AC105 be corrected from 13 May to 1 June to reflect the correct date of presentation to the Board. Stuart Dennis, Corporate Finance Manager confirmed this was the case. Martin advised that the action tracker would be updated to reflect this.

The Chair asked if there were any further comments on the tracker. Alan Alexander advised on action AC100, that the SCPA are aiming to complete the recruitment and selection process and to make the appointments imminently.

The Audit Committee members noted the progress on the actions in the tracker.

6. Audit Committee terms of reference

The Chair invited comments from members on the report, submitted by the Corporate Governance Manager, which had been previously circulated.

The Audit Committee members reported they were content with the current version of the Terms of Reference.

7. Review of the risk register

Martin Walker, Associate Director, Corporate Performance and Risk submitted the Review of the Risk register, copies of which had been previously circulated.

Martin advised that there had been further changes and refinements since the last Audit Committee meeting on 6 May 2020. He advised that the amendments were in how the Covid-19 risks (A1 and A2) were defined to improve clarity. Martin highlighted that risk A6 on audit appointments had now reduced slightly given the extension of audit appointments, and that a report on this was being considered by Board later that morning.

The Chair invited questions and comments from the Audit Committee members.

Graham Sharp noted the recent scrutiny of the register by Audit Committee, and that while uncertainty presented the biggest issue the risk register was still reflective of the current situation.

The Chair queried whether the net risk scoring was rated too high for risks A1-A4 given the actions being deployed to mitigate and the extent to which any further action could be taken. Martin advised that the magnitude of the risks had been considered in the scoring process and that while they did not exactly fit the risk descriptors the risks were red due to their dynamic evolving nature and potential impact.

The Chair asked whether there should be some consideration to a risk around the Vision statement given the imminent personnel changes in the two principals who might be seeking a different service from Audit Scotland. Martin advised that this would be considered. He also advised that, given the dynamic risk environment, any changes to the risk register would be circulated members of the Audit Committee as appropriate prior to the next scheduled meeting of the Audit Committee in September 2020.

Alan Alexander highlighted that the assessment of risk and mitigation will have to take account of the paper being presented to Board on the Impact of Covid-19 on Finances and noted the risk profile was changing on an almost daily basis. A discussion followed regarding the current format of the risk register and reporting policy, and whether this should be revisited over the summer months. Diane McGiffen, Chief Operating Officer advised that this would be explored, particularly around resourcing and the ability/readiness of audited bodies to be audited in the current environment.

The Chair invited Elma Murray, Accounts Commission Interim Chair Designate if she had any comments to add on the risk discussion. Elma highlighted that consideration should be given to how the Accounts Commission is briefed on the risks and advised that perhaps a paper could be submitted in a future private session of the Commission.

The Chair asked Martin and Diane to consider the reframing of the risk register and engagement with the Accounts Commission over the Summer months.

Action AC106: Martin Walker and Diane McGiffen to consider reframing the Risk Register and engagement on this matter with the Accounts Commission.

The Audit Committee noted the Review of the Risk Register.

8. Policy on the provision of non-audit services by Audit Scotland's external auditor

John Gilchrist, Manager, Audit Quality and Appointments joined the meeting.

John Gilchrist, submitted the Policy on the provision of non-audit services by Audit Scotland's external auditor, copies of which had been previously circulated.

The Chair noted that the policy was unchanged except for minor amendments around ethics and asked whether John had anything further to add.

John advised that the policy had been updated in December 2019, and while ethical standards had become more stringent since then, it was clear that the policy remains appropriate and no further changes were required at this stage.

The Chair invited questions and comments on the unchanged policy, of which there were none.

The Audit Committee approved the policy and recommended it be submitted to the Board.

John Gilchrist left the meeting.

9. 2019/20 Annual report on Health, safety and wellbeing

David Blattman, HR & OD Manager, Charlotte Anderson, Learning and Development Consultant and Rikki Young, Business Manager, Performance Audit and Best Value joined the meeting.

Diane McGiffen, Chief Operating Officer introduced the 2019/20 Annual report on Health, safety and wellbeing, copies of which had been previously circulated. Diane advised that the Health and Wellbeing Committee had delivered a number of positive initiatives which were now being tested in the current Covid-19 context, and that she was happy to take any questions.

The Chair offered congratulations on the achievement of silver accreditation for the Healthy Working Lives (HWL) award and invited questions on the report.

Graham Sharp advised he had no questions and noted the good performance within the report.

The Chair invited questions or observations from Elma Murray, designate Interim Chair of the Accounts Commission. Elma asked what would be required to achieve gold HWL accreditation. Charlotte Anderson, Learning and Development Consultant, advised that Audit Scotland was already operating at gold level in many areas and attainment of the higher standard would involve building on what is already in place and embedding those practices within the organisation's culture in the long term.

Elma requested that the diagram on 'who we are' could be replaced with a more recent version used in other reports which included reference to IJBs. It was agreed this would be incorporated. Elma also asked whether there were any long-term absence issues related to an aging workforce. David Blattman, Human Resources and Organisational Development Manager, advised that there was no trend data to indicate this.

The Chair asked if there were any stress or mental health issues arising from the current situation. Diane advised that a range of impacts for colleagues were being reported including isolation, increased pressure from home working along with the added pressures for those with parental and/or caring responsibilities. To address this, the organisation is looking closely at the response of other bodies and is considering what investment the organisation needs to make moving into the latter part of the year.

Rikki Young, Business Manager, Performance Audit and Best Value, advised that there is careful monitoring of the situation and that the challenges may become more acute as schools may be operating a blended learning policy until the end of the year.

The Chair advised it was reassuring to know that the emotional, mental health and wellbeing of employees was being closely monitored.

Alan Alexander noted that the report presented a strong basis on which to build and develop 'a new normal'. Alan also requested that the authors of the report revisit paragraphs 15 and 33 to expand upon explanations and ensure the correct distinctions were being made in respect of percentages and percentage points.

The Chair also asked the authors to ensure consistency in messages regarding untaken annual leave between this report and the finance reports.

The Chair asked about the preparations being made for a safe return to the office and when this will happen. Diane advised that the Facilities Management team were working through these issues with the landlords and noted that issues differed across the range of office locations. She also advised that it was highly unlikely that there would be any imminent return to the office as the Scottish Government guidance required those who can to work from home.

Action AC107: The Health, Safety and Wellbeing Committee amend the report as noted before publication.

The Audit Committee noted the 2019/20 Annual report on health, safety and wellbeing.

David Blattman, Charlotte Anderson and Rikki Young left the meeting.

10. 2019/20 Governance statement on internal control and certificate of assurance

Gayle Fitzpatrick, Corporate Governance Manager submitted the 2019/20 Governance statement on internal control and certificate of assurance, copies of which had been previously circulated.

The Chair invited questions, of which there were none.

The Audit Committee noted the governance statement and recommended it to the Board and Accountable Officer.

11. 2019/20 Annual report from the Chair of the Audit Committee to the Board

Gayle Fitzpatrick, Corporate Governance Manager submitted the **draft** 2019/20 Annual report from the Chair of the Audit Committee to the Board, copies of which had been previously circulated.

Gayle advised that a minor typographical amendment was required at paragraph 23 in respect of **the** budget and spend figures for internal audit. Gayle provided assurance that this would be corrected before publication.

The Chair invited questions, of which there were none.

The Audit Committee noted the report and recommended it to the Board and Accountable Officer.

12. 2019/20 Draft audit management letter

Steven Cunningham, Alexander Sloan and Jillian So, Alexander Sloan introduced the 2019/20 Draft audit management letter, copies of which had been previously circulated.

Steven Cunningham advised that the audit and management letter could not be concluded at present given the outstanding information in respect of the pensions liability. Further to this, Steven indicated that he was content with how the audit had progressed and had no further points to raise with the Audit Committee.

The Chair asked what the timescales might be for receiving the outstanding information, including the PWC report on the review of actuaries. Stuart Dennis, Corporate Finance Manager, advised that the current Covid-19 pandemic had played a role in the delay in receiving this information, and that he would continue to pursue this matter.

The Chair asked Caroline Gardner, Accountable Officer whether the situation presented any challenges for her. Caroline advised that she was due to sign the accounts next week, and that this could not be undertaken without all relevant information and assurances. Caroline advised that the Audit Committee could still approve and recommend the letter to Board subject to the inclusion of the additional information. Given the situation is outwith Audit Scotland's control, Caroline advised that Audit Scotland will keep the Audit Committee and SCPA apprised.

The Chair invited feedback on this proposal. Graham Sharp did not anticipate any issues with this.

The Audit Committee approved the draft audit management letter to go to Board subject to the inclusion and circulation of the additional information when this becomes available.

13. 2019/20 Audit Scotland's Annual report and accounts – Year end 31 March 2020

Simon Ebbett, Communications Manager joined the meeting.

Stuart Dennis introduced the 2019/20 Audit Scotland's Annual report and accounts advising that the report highlighted financial movements from this financial year to 2018/19, and the reasons behind this. Simon Ebbett, Communications Manager, advised that the report was still undergoing final edits and that these would soon be concluded as per correspondence.

The Chair invited questions and observations.

Graham Sharp advised that he was content with the report and had no questions.

The Chair asked Stuart to liaise with David Blattman, Human Resources and Organisational Development Manager, in respect of untaken annual leave and ensuring consistency of messaging between the annual report and the Health, Safety and Wellbeing report.

The Audit Committee were invited to approve the draft Annual report and accounts for the year ended 31 March 2020 and recommend that the Auditor General for Scotland, being Accountable Officer of Audit Scotland, sign the accounts on 9 June 2020.

The Audit Committee recommended the 2019/20 Audit Scotland's Annual report and accounts – Year end 31 March 2020 to the Board subject to the inclusion and circulation of the additional pensions information.

Action AC108: Stuart Dennis to liaise with David Blattman to ensure consistency of messaging regarding untaken annual leave.

Simon Ebbett, Communications Manager left the meeting.

14. Any other business

There was no other business.

15. Review of meeting

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

Alan Alexander noted the short time between the last Audit Committee meeting, and commended Audit Scotland for its efforts in producing quality papers in the challenging timescales and current working context.

The Chair noted that this was Graham Sharp's last Audit Committee and thanked him for his contributions and wished him well.

The Chair also noted that this was Caroline Gardner's last Audit Committee as Auditor General for Scotland and Accountable Officer and thanked her for her professionalism and stewardship of Audit Scotland.

Caroline thanked the Chair for her words and for the many years of service the Chair had provided to Audit Scotland in helping the organisation be the best it can be by providing challenge and support.

The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.

16. Date of next meeting

- 2 September 2020, via video conference.

Minutes

Audit Committee



Wednesday 2 September 2020
By Microsoft Teams

Present:

H Logan (Chair)
Elma Murray, Interim Chair of the Accounts Commission
Jackie Mann

Apologies:

None

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
D McGiffen, Chief Operating Officer
C Robertson, BDO
T Barrie, BDO
J So, Alexander Sloan
S Cunningham, Alexander Sloan
M Walker, Associate Director, Corporate Performance and Risk
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
A Clark, Audit Director, Performance Audit & Best Value
D Robertson, Digital Services Manager
C Crosby, Designate Audit Committee Chair

1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors (BDO).

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone and noted that there were no issues arising from the private meeting and no apologies for the meeting.

The Chair welcomed Jackie Mann to the Audit Committee and noted that this would be Stephen Boyle's first Audit Committee meeting as the new Auditor General for Scotland (AGS) and Accountable Officer.

The Chair highlighted that this would be her last meeting as Chair of the Audit Committee and welcomed Colin Crosby as an observer who would take on the role of Chair on 1 October. In addition, the Chair welcomed full participation in the discussions from all those attending, including those attending as observers.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 1 June 2020

The Audit Committee members reviewed the minutes of the meeting of 1 June 2020, which had previously been circulated.

The Chair asked members for questions or comments, of which there were none.

The Chair noted that the risk register referenced in paragraph 7 relates to Audit Scotland and not the Accounts Commission. Elma confirmed this was the case.

The Chair asked whether all information had been received for item 12, the 2019/20 Draft audit management letter. This was confirmed to be the case. The Chair requested that this action now formally be noted and closed off.

The Audit Committee approved the minutes of the previous meeting.

5. Review of action tracker

The Audit Committee members reviewed the action tracker, which had previously been circulated.

The Chair asked whether there were any questions or comments, of which there were none.

The Audit Committee members noted the progress on the actions in the tracker.

6. Audit Committee terms of reference

The Chair invited comments from members on the report, submitted by the Corporate Governance Manager, which had been previously circulated.

The Chair asked whether there were any questions or comments, of which there were none.

The Audit Committee members reported they were content with the current version of the Terms of Reference.

7. Organisational response to the Covid-19 pandemic

Diane McGiffen, Chief Operating Officer, provided a verbal update on the organisational response to the Covid-19 pandemic.

Diane noted that the Board had considered a detailed update report at its meeting on 19 August 2020 and that Covid-19 related issues would be explored further as part of the discussion on other reports on today's agenda.

Diane noted that schools had re-opened and while some colleagues were reporting a positive impact on their home/work responsibilities, some had children who had been sent home for Covid-19 testing, resulting in a return to self-isolation. Diane explained that when self-isolating, home schooling and care responsibilities presented and additional pressures on colleagues for juggling work and home commitments.

She also noted that there has been an increase in the R rate and increased restrictions in some areas and that the organisation is keeping colleagues from these areas updated.

The Audit Committee members noted the organisational response to the Covid-19 pandemic.

8. Internal Audit report: Business Continuity Planning

Claire Robertson, BDO, and Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal Audit report, Business Continuity Planning, copies of which had been previously circulated.

Claire Robertson, BDO noted that the review provided substantial assurance on both the design and operational effectiveness of Audit Scotland's Business Continuity Planning arrangements, and that there were no recommendations or action required.

Alan Alexander asked whether the report should be updated to reflect the fact that the Incident Management Team (IMT) now meets once a week. Claire advised that twice weekly meetings were taking place at the time of the audit work. Diane McGiffen, Chief Operating Officer confirmed that Covid-19 is a standing item on the agenda when the IMT and Management Team meet weekly. It was agreed that the internal audit report would not require to be updated and the matter clarified through the minute of this meeting.

The Audit Committee noted the internal audit report.

9. Internal Audit report: PABV Adoption of INTOSAI Standards

Antony Clark, Audit Director, Performance Audit and Best Value (PABV), joined the meeting.

Claire Robertson, BDO, introduced the Internal Audit report, PABV Adoption of INTOSAI Standards, copies of which had been previously circulated.

Claire advised that the review had provided substantial assurance on both the design and operational effectiveness of the PABV adoption of INTOSAI standards, and that there were no recommendations on actions required.

Alan Alexander asked for an update on the Audit Management Framework training completion rate. Antony Clark, Audit Director, PABV advised that the 20% figure in the report reflected the position at the time of the audit and that was just five days into the training being made available at that point. Antony advised that the completion rate is now 95% and that outstanding cases are being followed up as appropriate.

The Chair noted the report which highlighted the strength and quality of the work undertaken and offered her congratulations to the team.

The Audit Committee noted the internal audit report.

Antony Clark, Audit Director, Performance Audit and Best Value, left the meeting.

10. Internal Audit progress report: August 2020

Claire Robertson, BDO, and Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal Audit progress report, August 2020, copies of which had been previously circulated.

Claire highlighted the upcoming audits and invited questions.

The Chair asked whether it was still the right time to proceed with the internal audit review on the Procurement of Audit Firms.

Gayle Fitzpatrick, Corporate Governance Manager advised that the Terms of Reference for this review had been revised to reflect the focus being on the Procurement Strategy and that the review is to focus on how Audit Scotland is approaching an important procurement process.

Diane McGiffen, Chief Operating Officer advised that the Terms of Reference have been discussed with the Steering Group and the Audit Quality and Appointments (AQA) team who are content that the amended Terms of Reference will provide additional value and assurance at this stage in the process.

Diane McGiffen, Alan Alexander and Elma Murray agreed to consider the timing of this audit as part of a meeting already arranged for Monday 7 September and it was agreed that the updated Terms of Reference would be recirculated to members of the Audit Committee.

Colin Crosby, Designate Audit Committee Chair asked for reassurance on the aspirational nature of Audit Scotland's IT Strategy. Diane advised that significant work is underway on

the Digital Strategy and that discussions were ongoing with the Auditor General for Scotland and the Accounts Commission. In addition, BDO will look at best practice of others in relation to what we do in the process of their IT reviews and this will assist Audit Scotland's planning and programming of digital work.

The Chair asked whether there were any other questions on proposed internal audit work programme for rest of year, and there were none.

The Audit Committee noted the internal audit progress report.

Action AC109: Recirculate the revised Terms of Reference for the audit on the Procurement of audit firms.

11. Internal Audit recommendations progress report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal Audit recommendations progress report, copies of which had been previously circulated.

The Chair asked whether there were any questions or comments.

Elma Murray, Chair of the Accounts Commission noted the helpful format of the report.

The Chair queried whether the experiences of PABV and CSG in using the Time Recording System (TRS) would require any changes to the system in advance of its adoption by the Audit Services Group (ASG). Martin Walker, Associate Director, Corporate Performance and Risk advised that no system changes were required and that its rescheduled implementation in ASG system was still on schedule to minimise any potential disruption at a busy time in the audit cycle.

The Chair also enquired about the action in relation to cost analysis. Martin advised that audit costs were being analysed from a number of different perspectives and discussions were under way to ensure there was no unnecessary duplication, that the date of completion will remain under review, and that any updates will be communicated to Audit Committee.

The Chair asked about the level of progress with the mapping and analysis of staff knowledge. Martin advised that the mapping action is complete, that work was under way to assess the best system solution, but that this had been delayed due to other priorities.

The Audit Committee noted the internal audit recommendations progress report.

12. Q1 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager, introduced the Q1 Financial Performance report, copies of which had been previously circulated, and had also been discussed at the Board meeting on 19 August.

The Chair invited questions and comments.

Elma Murray, Chair of the Accounts Commission, advised that it was helpful to know that the organisation would be approaching the SCPA to discuss the short-term financial implications of Covid-19 and the sustainability of the current fees and funding model in the longer term. Elma also requested an offline discussion with the Finance Manager to get a better understanding of the agency staffing costs.

The Chair thanked colleagues for the responses to the queries that had been sent to the team in advance of the meeting. She advised that her observation was that the responses, as written, had raised even more questions rather than given comfort, but that it was primarily a matter of presentation. She stressed that clarification of variances should be

succinct and to the point, ensuring that the explanation was relevant and not diluted by peripheral issues. As an example, the Chair advised that the over run in agency costs could be more clearly explained by noting that this related to five people employed at a pro-rata cost of £60k per annum on the EAFA audit work at the point when the Scottish Government issued guidelines not to dispense with temporary workers and that Audit Scotland had complied with that guidance. The Chair also advised that the risk and implications of Audit Scotland's accounts being qualified as a result of any funding shortfall could have been presented more clearly.

Stephen Boyle, Accountable Officer noted that Audit Scotland's funding arrangements were not designed to accommodate the scale of disruption being experienced as a result of Covid-19. He advised that risk in audited bodies had increased substantially and that many audits were taking longer than normal to complete as result of disruption to audited bodies and Audit Scotland. It was also noted that Audit Scotland is not permitted to hold reserves and that this limits flexibility in delivering a balanced budget in the current circumstances.

The Committee noted the challenging financial situation across both the public and private sectors and that this was an important factor in any discussions about fees and funding.

It was noted that the meeting on Monday 7 September involving Stephen Boyle, Auditor General for Scotland, Elma Murray, Chair of the Accounts Commission, Alan Alexander, Chair of the Audit Scotland Board and Diane McGiffen, Chief Operating Officer would be focussing on the current financial position, the scope of the audit work and the longer term funding model for public Audit in Scotland.

It was also noted that this discussion would inform the planned engagement with the Scottish Commission for Public Audit (SCPA).

The Audit Committee noted the Q1 Financial report.

Stuart Dennis, Corporate Finance Manager, left the meeting.

Action AC110: Finance Manager to meet with Chair of the Accounts Commission Chair to discuss agency staff budget and expenditure (September 2020).

Action AC111: Auditor General for Scotland, Chair of the Accounts Commission, Chair of the Audit Scotland Board and Chief Operating Officer to meet 7 September on the financial position and the longer-term funding model for public audit in Scotland (September 2020).

13. Review of the risk register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of the Risk register, copies of which had been previously circulated.

Martin noted the increasing level of risk evident within the risk register and advised that this reflected the dynamic and fluid working environment caused by Covid-19.

The Chair invited questions and comments.

Elma Murray, Chair of the Accounts Commission thanked Martin for the report and asked for clarification on the term 'bad actors' in relation to the risk on digital security. Martin advised that this is a term used in the digital security community to describe organised groups looking to exploit system vulnerabilities.

Elma noted the importance of strong partnership arrangements between the Auditor General for Scotland, the Accounts Commission and Audit Scotland and asked whether this should be incorporated in the risk register. Martin advised that this would be considered when preparing the next update of the register.

Colin Crosby asked for clarification on how Audit Scotland assesses the effect of risks and disruption in audited bodies on our own risk profile. Martin advised that the Risk Management Framework draws from the well-established public sector risk framework as well as Audit Scotland's financial and performance data. He advised that this is considered by the Performance and Risk Management Group (PRMG) and the Management Team on quarterly basis in advance of the risk register being presented to the Audit Committee.

Martin also advised that the Covid-19 risks to Audit Scotland and audited bodies are considered at each meeting of the Incident Management Team (IMT) and regularly by Management Team.

The Audit Committee noted the Review of the Risk Register.

Action AC112: Martin Walker to provide detail on the Risk Management Framework as part of the induction sessions with the new Chair of the Audit Committee. (September 2020)

14. Risk Interrogation: Digital Security

David Robertson, Digital Services Manager, joined the meeting.

David Robertson, Digital Services Manager, introduced the Risk Interrogation, Digital Security paper, copies of which had been previously circulated.

Martin Walker, Associate Director, Corporate Performance and Risk advised new members that the risk interrogations form part of the risk management framework and provide the opportunity for a detailed analysis of individual or linked risks from the risk register to be considered each quarter.

David Robertson, Digital Services Manager highlighted that this item and the six-monthly digital security update report at item 15 were companion reports. Before inviting questions and comments, David highlighted that the risk score is currently 20 out of a possible 25, and this was due to a significant increase in digital/cyber-attacks in recent months.

The Chair invited questions and observations on the report.

Elma Murray, Chair of the Accounts Commission thanked David for the reports, and for the discussion earlier in the week relating to digital support of the Accounts Commission. Elma asked if the two digital reports tabled could be shared with Accounts Commission members and David confirmed that this could be done.

The Chair asked David what else could be done to improve cyber resilience if resources were not an issue. David advised that additional team members would provide additional resilience and flexibility, noting that would always be an issue in a small team.

Alan Alexander welcomed the clear and comprehensive nature of both reports and asked about the digital security in relation to core Audit Scotland systems being accessed from personal devices. David summarised the security arrangements around accessing secure networks.

The Chair thanked David for the report and noted that it was much more understandable to a non-IT professional than previous reports.

The Audit Committee noted the Risk Interrogation: Digital Security report.

15. Digital Security update

David Robertson, Digital Services Manager, introduced the Digital Security update paper, copies of which had been previously circulated.

There were no further questions on this update given the discussion at item 14.

The Audit Committee noted the Digital Security update report.

David Robertson, Digital Services Manager, left the meeting.

16. Data incidents/loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Data incidents/loss report, copies of which had been previously circulated.

The Chair asked how the data incident reported to the ICO had occurred. Gayle advised that the issue was technical in origin and would be better explained by Digital Services, who had now left the meeting.

It was agreed that supplementary information would be shared with members via correspondence after the meeting.

The Audit Committee noted the data incidents/loss report.

Action AC113: Digital Services to provide additional information on the origin of data incident by correspondence. (September 2020)

17. Annual review of corporate governance policies

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Annual review of corporate governance policies report, copies of which had been previously circulated.

The Chair invited questions and comments.

Elma Murray, Chair of the Accounts Commission, asked whether there would be a requirement to complete two separate registers of interests given her position on the Audit Scotland Board and in her role as Interim Chair of the Accounts Commission. Martin Walker, Associate Director, Corporate Performance and Risk advised that only one was required and this was published as appropriate on the website.

The Audit Committee noted and approved the Annual review of corporate governance policies report for submission to the Audit Scotland Board on 30 September 2020.

18. Proposed Board and Audit Committee meeting schedule 2021

Diane McGiffen, Chief Operating Officer, introduced the proposed Board and Audit Committee meeting schedule for 2021, copies of which had previously been circulated.

Diane McGiffen, Chief Operating Officer advised that the meeting schedule was currently being agreed via correspondence. In addition, Diane highlighted the Scottish Parliamentary elections in May 2021 as a consideration for the scheduling of the June meeting date as the SCPA also consider the annual report and accounts in June.

Jackie Mann advised that pending the outcome of finalisation of the schedule that she would be content to dial in from her holiday to accommodate a meeting as required.

The Audit Committee noted the proposed dates for the Board and Audit Committee meeting schedule in 2021.

19. Any other business

There was no other business.

20. Review of meeting

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

The Chair formally asked the Auditor General for Scotland and the Chair of the Accounts Commission in their capacity of recipients of Audit Scotland services whether there were any issues that should be brought to the attention of the Audit Committee for action. Both advised there were no issues to report.

The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.

The Chair advised that there was a further item to be taken in private and therefore asked that both the Internal Auditors and External Auditors withdraw from the meeting. She thanked them all for their support and participation in the committees which she had chaired and offered Colin Crosby and the members of the Audit Committee going forward her very best wishes.

Alan Alexander, Chair of Audit Scotland noted that this would be the last meeting of the Audit Committee chaired by Heather Logan before she demits office in September 2020. Alan paid tribute to Heather's long service, first as a co-optee to the Audit Committee and then as a full Board member and Chair of the Audit Committee. Alan also praised Heather's clarity, forensic scrutiny and approach to support and challenge which had been so valuable over the years.

Diane McGiffen, Chief Operating Officer also paid tribute and offered thanks on behalf of colleagues Audit Scotland.

21. Date of next meeting

The next meeting of the Audit Committee was scheduled on 4 November 2020, via video conference, to be chaired by Colin Crosby.

Claire Robertson and Tony Barrie, BDO left the meeting.

Minutes

Audit Committee



Wednesday 4 November 2020
By Microsoft Teams

Present:

Colin Crosby (Chair)
Jackie Mann

Apologies:

Elma Murray, Interim Chair of the Accounts Commission
S Cunningham, Alexander Sloan

In attendance:

A Alexander, Chair, Audit Scotland Board
S Boyle, Accountable Officer and Auditor General for Scotland
D McGiffen, Chief Operating Officer
C Robertson, BDO
T Barrie, BDO
J So, Alexander Sloan
M Walker, Associate Director, Corporate Performance and Risk
G Fitzpatrick, Corporate Governance Manager
S Dennis, Corporate Finance Manager
E Boyd, Associate Director, Audit Quality and Appointments

1. Private meeting with BDO and Alexander Sloan

A private meeting was held with Audit Committee members, Alexander Sloan and internal auditors (BDO).

2. Welcome and apologies

The Chair opened the meeting, welcomed everyone and noted that there were no issues arising from the private meeting. Apologies were received in advance from Elma Murray.

3. Declarations of interests

There were no declarations of interest.

4. Minutes of the last meeting: 2 September 2020

The Audit Committee members reviewed the minutes of the meeting of 2 September 2020, which had previously been circulated.

The Chair invited any questions or comments.

Martin Walker, Associate Director, Corporate Performance and Risk advised that Elma Murray had submitted comments prior to the meeting for discussion. Elma sought clarification on the ownership of the risk register referred to in the minutes for 2 September 2020 meeting. Martin confirmed it was the Audit Scotland Risk Register and suggested a revision to the wording of the minute to clarify this.

Alan Alexander noted a reference within the minute to the meeting planned on 7 September 2020 with the Scottish Commission for Public Audit (SCPA), and updated Audit Committee on the productive nature of that meeting.

The Audit Committee approved the minutes of the previous meeting.

AC114: Gayle Fitzpatrick, Corporate Governance Manager to revise the minute of 2 September Audit Committee meeting to reflect the ownership of the risk register referenced. (9 November 2020)

5. Review of action tracker

The Audit Committee members reviewed the action tracker, which had previously been circulated.

The Chair asked whether there were any questions or comments, and invited Gayle Fitzpatrick, Corporate Governance Manager to provide any additional updates.

Gayle advised that the tracker has been updated and was only for noting. Martin Walker, Associate Director, Corporate Performance and Risk noted there were no current outstanding actions pending those from this meeting.

The Audit Committee members noted the progress on the actions in the tracker.

6. Audit Committee terms of reference

The Chair invited comments from members on the report, submitted by the Corporate Governance Manager, which had been previously circulated.

The Chair proposed that the Terms of Reference be reviewed by the Audit Committee annually rather than at every meeting. The committee agreed the proposal.

The Audit Committee members reported they were content with the current version of the Terms of Reference and going forward agreed the Terms of Reference would be reviewed annually.

7. Organisational response to the Covid-19 pandemic

Diane McGiffen, Chief Operating Officer, provided a verbal update on the organisational response to the Covid-19 pandemic.

Diane advised that Audit Scotland is making good progress in completing this year's audits in the current adverse circumstances, though some audits would be delayed. She also advised that the Auditor General for Scotland had reviewed the draft rolling work programme, that this was the subject of engagement with Parliament and that the Accounts Commission would be reviewing and consulting on the draft programme soon.

Diane advised that the Spring Budget Revision and the 2021/22 draft budget were being progressed and that these would be considered by the Board at its meeting on 25 November 2020.

Diane also provided an update on how colleagues are coping during the pandemic. She advised that the regular 'pulse survey' results provided assurance on colleague wellbeing overall and also highlighted concerns and challenges from some colleagues. She confirmed that a number of colleagues are self-isolating due to reported cases in their children's schools. Diane also advised of positive feedback received at a recent PCS branch executive committee last week on Audit Scotland's response to the pandemic.

Diane confirmed that the offices will remain closed for the duration of 2020 and advised that the Covid-secure working group continues to refine the approach to providing limited access to the offices in the short term for a very small number of colleagues for business critical purposes. She also noted that this process continues to be complex and evolving in light of the tier system and changing rates of infection and that the position regarding offices would be reviewed by the Incident Management Team in December 2020.

The Chair asked about the approach to recruitment in the current environment. Diane advised that Audit Scotland would use a dynamic and flexible approach to attract the widest range of skills. She noted that twelve professional trainees had recently joined Audit Scotland, that recruitment continues to take place and that virtual working provides more flexibility as geographical location is less of a challenge it has been in the past.

Jackie Mann commented positively on Audit Scotland's response to the pandemic and noted that it was positive that future resourcing is being proactively considered alongside the potential impact of remote working.

Stephen Boyle, Auditor General for Scotland (AGS) and Accountable Officer, Audit Scotland noted that the impact of the pandemic was not equally felt across society and that this was reflected in the experience of Audit Scotland's colleagues. He advised that Audit Scotland is taking a considered, cautious approach considering all factors including the tier system in Scotland and associated restrictions, and that the situation remains under constant review. Stephen also highlighted the importance of relationships between line managers and their direct reports/teams.

Alan Alexander noted the complexity and dynamic nature of the current context and emphasised the importance of a consistent approach. The Chair agreed, and stated Audit Scotland should be ambitious for the future. Diane assured the Audit Committee that the organisation was preparing to be bold given the transformative operating context, and the future increased demands on Audit Scotland.

The Audit Committee members noted the organisational response to the Covid-19 pandemic.

8. Internal Audit report: Preparedness for changes to the Audit Scotland Board and to the Auditor General for Scotland

Claire Robertson, BDO, introduced the Internal Audit report, Preparedness for changes to the Audit Scotland Board and to the Auditor General for Scotland, copies of which had been previously circulated.

Claire summarised the report, highlighting substantial assurance was found in both the design and operational effectiveness of processes reviewed, and noted that there were no recommendations for improvement.

Stephen Boyle, Auditor General for Scotland and Accountable Officer, Audit Scotland advised that the findings reflected his own experience of the processes and that he welcomed the conclusions contained within the report. Jackie Mann advised that the induction she had received to Audit Scotland was the most thorough she had encountered, despite this being during the pandemic.

The Chair asked whether it would be appropriate to have a follow up review with new members within six months of appointment and it was agreed that this could be included in the scope of the governance review scheduled for September 2021.

Alan Alexander noted the discussion and agreed to appraise within six months.

The Audit Committee noted the internal audit report.

AC115: Gayle Fitzpatrick, Corporate Governance Manager to include the option for six-month review for new members in the scope for the forthcoming governance review. (November 2020)

9. Internal Audit progress report: November 2020

Claire Robertson, BDO introduced the Internal Audit progress report, November 2020, copies of which had been previously circulated.

Claire advised that the reviews undertaken in 2020 had so far provided substantial assurance. She also advised that the audit on the Procurement of Audit Firms review had been postponed and that BDO were considering options for the replacement of this in the programme.

The Audit Committee noted the internal audit report.

10. Internal Audit recommendations progress report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Internal Audit recommendations progress report, copies of which had been previously circulated.

Gayle summarised the progress on the internal audit recommendations, and invited questions or comments.

The Chair requested that future reports include only actions completed since the last report. Gayle advised this would take effect in future reports.

The Audit Committee noted the internal audit progress report.

AC116: Gayle Fitzpatrick, Corporate Governance Manager to reduce the scale of the Internal Audit Recommendations progress report to list only those actions included since the previous report (4 March 2021)

11. Draft audit quality interim report

Elaine Boyd, Associate Director, Audit Quality and Appointments, joined the meeting.

Elaine Boyd, Associate Director, introduced the draft Audit Quality interim report, which had been previously circulated.

Elaine highlighted the positive progress made within performance audit over the course of the last two to three years. Elaine also noted the welcome introduction of electronic signature software, which provides the ability to remotely sign off on accounts, advising this had been invaluable given the current pandemic.

The Chair invited questions or comments.

Alan Alexander asked for clarification on when best value will be addressed in Integrated Joint Boards (IJBs). Elaine advised that this has been a developing area and that the Accounts Commission's Best Value Steering group had committed to confirming the approach by early 2021.

The Chair noted the risks the pandemic posed for audit quality and the importance of understanding the expectations of stakeholders of the organisation going forward. Diane McGiffen, Chief Operating Officer assured the Chair that this was being considered by the Leadership Group and was the subject of significant engagement with internal and external stakeholders.

Stephen Boyle, Auditor General for Scotland (AGS) and Accountable Officer, Audit Scotland also highlighted the challenges to the auditing profession more widely and referenced a recent report by the Financial Reporting Council (FRC) on local audit quality on England. Stephen assured the Audit Committee that Audit Scotland is in a stronger place than elsewhere in the UK with the Audit Quality framework which considers financial and public audit work. Stephen provided strong assurance that quality has remained a priority and that the results of the forthcoming internal and external quality reviews would be invaluable.

The Audit Committee noted the draft Audit Quality interim report.

Elaine Boyd, Associate Director, Audit Quality and Appointments, left the meeting

12. Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis, Corporate Finance Manager, introduced the Q2 Financial Performance report, copies of which had been previously circulated.

The Chair invited questions and comments.

Alan Alexander highlighted the importance of ensuring that additional expenditure caused by Covid-19 is accurately quantified and clearly demonstrable.

The Chair suggested that Audit Scotland's time recording system (TRS) could be used to help quantify the impact of the pandemic and Martin Walker, Associate Director, Corporate Performance and Risk confirmed that TRS will assist with the provision of this quantitative data.

Martin Walker highlighted that Elma Murray had asked about how colleagues were adapting to new ways of working and the impact on audits. He advised that audit delivery is in a better position than was originally anticipated and that the lessons learned around delivering the audit in exceptional circumstances were being shared between teams.

Diane McGiffen, Chief Operating Officer advised a note of caution when looking to the challenges ahead. She noted that how the organisation has moved forward in the last six months might not be representative of the next six months. The delivery of remote audit and dealing with winter challenges may mean that significant challenges still lie ahead. Diane advised that all of these considerations are being factored in to planning.

The Audit Committee noted the Q2 Financial report.

AC117: Martin Walker, Associate Director, Corporate Performance and Risk will respond directly to Elma Murray on the points raised. (11 November 2020)

Stuart Dennis, Corporate Finance Manager, left the meeting.

13. Review of the risk register

Martin Walker, Associate Director, Corporate Performance and Risk, introduced the Review of the Risk register, copies of which had been previously circulated.

Martin Walker provided an overview of the Risk Register noting the continuing impact of the Covid-19 pandemic, and highlighted risks relating to colleagues' health, safety and wellbeing, and on EU withdrawal.

Alan Alexander asked about the degree to which audit teams are notified of disruption within audited bodies and the consequential impact on the audit process. Martin advised that auditors are well sighted given strong communication channels established with audited bodies and that approximately 10% of audits may be subject to delay.

It was agreed that the risk management framework will need to be reviewed to consider the appropriateness of the risk assessment descriptors and risk appetite in the context of the external operating environment and the scale and duration of the virus suppression measures.

The Audit Committee noted the Review of the Risk Register.

AC118: Martin Walker, Associate Director, Corporate Performance and Risk to review the Risk Management Framework. (March 2021)

14. Data incidents / loss report

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Data incidents/loss report, copies of which had been previously circulated.

Gayle Fitzpatrick highlighted that during quarter two there was one incident, which was an improvement on the previous quarter where seven incidents were recorded.

Gayle also advised the Information Commissioner's Office (ICO) had confirmed that no regulatory action was required as a result of the mitigating actions undertaken by Audit Scotland. This was in respect of a data incident previously reported to the committee in quarter one.

Alan Alexander asked how GDPR will operate after leaving the EU. Gayle advised that Audit Scotland is closely monitoring guidance from the government and the ICO as negotiations for the terms of how the United Kingdom exits the EU are still ongoing. Gayle advised that compliance with GDPR remains the default position and work was underway in relation to contractual clauses with suppliers in relation to data flows and data security.

The Audit Committee noted the data incidents/loss report.

15. External auditor's independence objectivity and value for money

Gayle Fitzpatrick, Corporate Governance Manager, introduced the External auditor's independence, objectivity and value for money report, copies of which had been previously circulated.

Gayle advised that the review provided positive assurance.

The Chair invited questions or comments, of which there were none.

The Audit Committee noted the External auditor's independence, objectivity and value for money report.

16. Review of Audit Committee effectiveness

Gayle Fitzpatrick, Corporate Governance Manager, introduced the Review of Audit Committee effectiveness report, copies of which had been previously circulated.

Gayle advised that the Terms of Reference for Audit Committee contain a commitment for Audit Committee members to undertake an annual self-evaluation process. She advised that the self-evaluation questionnaire had been reviewed and streamlined during 2019 in consultation with Audit Committee members.

Gayle asked the Audit Committee for their approval of the proposed timescales.

The Chair requested that the questionnaire be issued a week earlier to give a three-week window for completion.

The Audit Committee noted the review of Audit Committee effectiveness report and agreed the revised timescales for the review.

AC119: Gayle Fitzpatrick to add one additional week to the response date for questionnaires and update the timeline of the Audit Committee Self-Evaluation Process. (9 November 2020)

17. Any other business

There were no items of any other business

18. Review of meeting

The Chair invited those present to comment on the standard of the papers submitted and on the meeting itself.

The Audit Committee members expressed satisfaction with the papers and the focus and pace of the meeting.

19. Date of next meeting

The next meeting of the Audit Committee was scheduled on 3 March 2021, 10.00am via video conference, to be chaired by Colin Crosby.

The Chair thanked everyone for attending the meeting and for their participation.